

**TOWNSHIP OF OVID
(BRANCH)
FINANCIAL STATEMENTS**

MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF OVID	County BRANCH
Audit Date MARCH 31, 2004	Opinion Date JUNE 18, 2004	Date Accountant Report Submitted to State: AUGUST 3, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

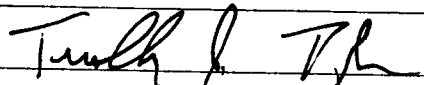
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RUMSEY & WATKINS, P.C.			
Street Address 20 TIBBITS PLAZA	City COLDWATER	State MI	ZIP 49036
Accountant Signature 			

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Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors

20 Tibbits Plaza • Coldwater, Michigan 49036
Phone (517) 279-7931 • FAX (517) 278-7087

June 18, 2004

To the Supervisor and
Members of the Township Board
Township of Ovid
Branch County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the general purpose financial statements of the Township of Ovid, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets group of accounts, which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets group of accounts is not known.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Ovid, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rumsey & Watkins, P.C.
RUMSEY & WATKINS, P.C.

TOWNSHIP OF OVID
ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
MARCH 31, 2004

	GOVERN- MENTAL FUND TYPES
	<u>General</u>
ASSETS	
Cash	\$ 476,227
Investments	105,000
Taxes receivable	12,959
Due from other funds	3,958
Amount to be provided for general long-term debt	-
Total assets	<u>\$ 598,144</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accrued expenses	\$ 12,213
Due to other funds	-
Due to others	81,940
Notes payable	-
Total liabilities	<u>94,153</u>
FUND EQUITY	
Fund balance: Undesignated	<u>503,991</u>
Total liabilities and fund equity	<u>\$ 598,144</u>

See accompanying notes to financial statements

FIDUCIARY FUND TYPES	ACCOUNT GROUPS	TOTALS (MEMORANDUM ONLY)
Tax Collection	General Long-Term Debt	
\$ 3,958	\$ -	\$ 480,185
-	-	105,000
-	-	12,959
-	-	3,958
-	123,980	123,980
\$ 3,958	\$ 123,980	\$ 726,082

\$ -	\$ -	\$ 12,213
3,958	-	3,958
-	-	81,940
-	123,980	123,980
3,958	123,980	222,091

-	-	503,991
\$ 3,958	\$ 123,980	\$ 726,082

TOWNSHIP OF OVID

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE COMPARED TO BUDGET
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Over (Under) Budget
REVENUES			
Taxes	\$ 98,000	\$ 90,283	\$ (7,717)
Property tax administration fee	36,000	40,925	4,925
Licenses and permits	21,500	24,620	3,120
State shared revenues	160,000	164,312	4,312
Charges for services	500	1,000	500
Interest earned	10,800	6,647	(4,153)
Reimbursements	1,700	7,717	6,017
Miscellaneous	200	-	(200)
Total revenues	328,700	335,504	6,804
EXPENDITURES			
General government	152,250	126,968	(25,282)
Public safety	81,600	89,887	8,287
Public works	94,700	94,007	(693)
Debt service	18,106	17,801	(305)
Total expenditures	346,656	328,663	(17,993)
Excess (deficiency) of revenues over expenditures	(17,956)	6,841	24,797
FUND BALANCE - BEGINNING	-	497,150	497,150
FUND BALANCE (DEFICIT) - ENDING	\$ (17,956)	\$ 503,991	\$ 521,947

See accompanying notes to financial statements

TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Ovid conform to accounting principles generally accepted in the United States of America as applicable to governmental units except that a general fixed assets group of accounts has not been maintained. The following is a summary of the significant accounting policies.

REPORTING ENTITY

The Township operates under an elected board of five members and primarily provides fire protection and road maintenance and construction to the local residents. The general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria includes oversight responsibility, scope of public service and special financing relationships. There were no component units considered, under this criteria, to be included in these general purpose financial statements.

BASIS OF PRESENTATION

The financial activities of the Township of Ovid are recorded in separate funds and account groups:

GOVERNMENTAL FUNDS

General Fund is the operating fund of the Township. It is used to account for all the Township's financial transactions not required to be accounted for in another fund.

FIDUCIARY FUNDS

Tax Collection Fund is used to account for assets held as an agent for others. Agency funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

ACCOUNT GROUPS

General Long-Term Debt Group of Accounts is used to account for all general obligation long-term debts of the Township including bonds and contract obligations.

TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used by all funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable.

BASIS OF BUDGETING

The annual Township budget was adopted based on the modified accrual method of accounting. Expenditures are estimated by the functional level. The Township did not include a beginning fund balance within the approved budget. Once a budget is approved, it can be amended at the functional level. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are reflected in the official minutes of the Board, and are not made after year end as dictated by law. Revisions to the budget were made during the year.

ENCUMBRANCE ACCOUNTING

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances is required at March 31, 2004.

General fixed assets are recorded as expenditures in the General Fund at the time of purchase. No depreciation has been provided for general fixed assets.

TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

The Township uses estimates and assumptions in preparing the general purpose financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

Total columns on the general purpose financial statements are captioned memorandum only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation as interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE B - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated financial institutions for the deposit of Township funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable daily rates. The certificates of deposit are currently earning interest at rates of 1.05% to 1.20%.

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value.

At March 31, 2004, the carrying amount of the Township's deposits was \$585,185 and the bank balance was \$600,520. The differences between the balances are the result of deposits in transit and checks issued by the Township but not yet presented for payment. The risk exposure of the bank balance at March 31, 2004 is as follows:

Insured	\$ 180,000
Uninsured	420,520
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Total cash and investments	\$ 600,520
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TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE C - TAXES RECEIVABLE

The Township is a general law township which levies property taxes and special assessments on December 1 of each year. They are collected by the Township's treasurer from December 1 to February 28.

Taxes receivable represent real taxes, special assessments and administrative fees returned delinquent to the County of Branch. The real property taxes, special assessments and administrative fees in the amount of \$12,959 will be paid to the Township by the County of Branch in April, 2004.

NOTE D - DUE FROM/TO OTHER FUNDS

The due from other funds in the amount of \$3,958 is payable from the Tax Collection Fund to the General Fund.

TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE E - GENERAL LONG-TERM DEBT

Interest expense for the year ended March 31, 2004 amounted to \$7,461 in the General Fund.

GENERAL FUND OBLIGATIONS:

Note payable to bank, at an interest rate of 5.895%, semi-annual principal payments of \$5,170 plus interest, due October, 2015, unsecured	<u>\$ 123,980</u>
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The annual requirements to service all debt outstanding as of March 31, 2004, including interest payments of \$45,645 for the general long-term debt, is as follows:

Year Ending March 31,	
2005	\$ 17,496
2006	16,887
2007	16,277
2008	15,668
2009	15,058
2010 to 2014	66,147
2015 to 2016	22,092
Total	<u>\$ 169,625</u>

The changes in general long-term debt during the year ended March 31, 2004 may be summarized as follows:

	Balance April 1, 2003	Additions	Reductions	Balance March 31, 2004
Note payable	\$ 134,320	\$ -	\$ 10,340	\$ 123,980

TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE F - PENSION PLAN

The Township has adopted a defined contribution pension plan for substantially all employees. The plan, known as the Trustees of Ovid Township Pension Plan, is administered by an independent life insurance company. No employee contributions can be made to the plan.

The total covered payroll under the pension plan for 2004 amounted to \$58,851 compared to total payroll of \$65,458.

The Township is required to make annual contributions to the plan based on 25% of compensation for the year. The contribution made to the plan for the year ended March 31, 2004 amounted to \$14,649.

NOTE G - COMMITMENTS

The Township has entered into an agreement with the Lakeland Volunteer Fire Department to provide fire protection at an annual expense of \$46,000 for 2005 through 2007.

NOTE H - COMPLIANCE WITH STATE REGULATIONS

State of Michigan Laws require that a local unit not incur expenditures in excess of the amount appropriated.

In the body of the general purpose financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets were adopted on a functional basis. During the year, the Township incurred expenditures within certain functions, which were in excess of the amounts appropriated.

TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE I - RISK MANAGEMENT

The Township of Ovid is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The Township pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subjected to a special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims. The Township has not been informed of any special assessments being required. The Township continues to carry commercial insurance for other risk.

Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors

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June 18, 2004

To the Supervisor and
Members of the Township Board
Township of Ovid
Branch County, Michigan

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

In connection with our audit of the general purpose financial statements of the Township of Ovid for the year ended March 31, 2004, the accompanying additional information, as listed in the table of contents, is submitted as additional analytical data. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such additional information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Rumsey & Watkins, P.C.
RUMSEY & WATKINS, P.C.

TOWNSHIP OF OVID
 ADDITIONAL INFORMATION
 GENERAL FUND
 STATEMENT OF EXPENDITURES COMPARED TO BUDGET
 FOR THE YEAR ENDED MARCH 31, 2004

GENERAL GOVERNMENT	Budget	Actual	Over (Under) Budget
TOWNSHIP BOARD			
Trustees salaries	\$	\$ 2,940	\$
Contracted services		200	
Payroll taxes		1,348	
Supplies		1,235	
Professional fees		4,155	
Insurance and bonds		5,274	
Service contracts		615	
Memberships and dues		1,749	
Retirement		14,649	
Retirement administration		903	
Printing and publishing		594	
Utilities		2,046	
Telephone		970	
Repairs and maintenance		760	
Correction of prior year taxes		146	
Total Township Board expenditures	46,400	37,584	(8,816)
SUPERVISOR			
Salary		12,400	
Office supplies		113	
Dues		50	
Telephone		372	
Total Supervisor expenditures	14,400	12,935	(1,465)
ELECTIONS			
Office supplies		161	
Transportation		77	
Total Elections expenditures	5,900	238	(5,662)
ASSESSOR			
Contracted services		21,050	
Office supplies		1,866	
Total Assessor expenditures	24,700	22,916	(1,784)

TOWNSHIP OF OVID

ADDITIONAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - Continued
FOR THE YEAR ENDED MARCH 31, 2004

GENERAL GOVERNMENT - Continued	Budget	Actual	Over (Under) Budget
CLERK			
Salary		12,399	
Supplies		636	
Transportation		923	
Telephone		498	
Total Clerk expenditures	15,550	14,456	(1,094)
BOARD OF REVIEW			
Salaries		992	
Transportation		55	
Total Board of Review expenditures	1,850	1,047	(803)
TREASURER			
Salary		19,599	
Supplies		2,853	
Transportation		1,000	
Telephone		573	
Total Treasurer expenditures	24,650	24,025	(625)
CEMETERY			
Contracted services		11,185	
Supplies		667	
Repair and maintenance		1,915	
Total Cemetery expenditures	18,800	13,767	(5,033)
Total General Government expenditures	152,250	126,968	(25,282)

TOWNSHIP OF OVID

ADDITIONAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - Continued
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Over (Under) Budget
PUBLIC SAFETY			
FIRE PROTECTION	40,000	40,000	-
ZONING			
Zoning administrator wages		10,213	
Zoning board wages		6,915	
Contracted services		845	
Supplies		758	
Professional fees		28,917	
Transportation		66	
Conventions		300	
Printing and publishing		1,873	
Total Zoning expenditures	41,600	49,887	8,287
Total Public Safety expenditures	81,600	89,887	8,287
PUBLIC WORKS			
Road maintenance		90,143	
Drain tax at large		3,138	
Utilities		726	
Total Public Works expenditures	94,700	94,007	(693)
DEBT SERVICE			
Principal payments		10,340	
Interest expense		7,461	
Total Debt Service expenditures	18,106	17,801	(305)
Total expenditures	\$ 346,656	\$ 328,663	\$ (17,993)

TOWNSHIP OF OVID
 ADDITIONAL INFORMATION
 TAX COLLECTION FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED MARCH 31, 2004

	Balance April 1, 2003	Receipts	Disburse- ments	Balance March 31, 2004
ASSETS				
Cash	\$ 4,294	\$3,896,911	\$3,897,247	\$ 3,958
LIABILITIES				
Due to General Fund	\$ 2,747	\$ 122,991	\$ 121,780	\$ 3,958
Due to Schools	-	1,208,025	1,208,025	-
Due to Branch County:				
County operations	-	1,169,186	1,169,186	-
Intermediate Schools	-	835,193	835,193	-
State Education	-	518,254	518,254	-
Due to others	1,547	43,262	44,809	-
Total liabilities	\$ 4,294	\$3,896,911	\$3,897,247	\$ 3,958

Rumsey & Watkins, P.C.

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June 18, 2004

To the Supervisor and
Members of the Township Board
Township of Ovid
Branch County, Michigan

During our audit as of and for the year ended March 31, 2004, we noted the following items which we would like to comment on further:

GOVERNMENTAL ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Governments with less than \$10 million in revenues will apply this Statement for periods beginning after June 15, 2003. This Statement will change the financial statement presentation for the Board and require written management discussions to be included within the financial statements. As we discussed in prior management letters, this issue appeared to be in the distant future, however, as the date indicates the Board must implement the new financial statement requirements for the next audit.

The Township must first decide whether they want to comply with the requirements of GASB 34. Many local governmental units have expressed dissatisfaction with GASB 34, in that they feel the cost of implementing the statement exceeds the benefit of the additional information. The Local Audit and Finance Division of the Treasury Department of the State of Michigan is responsible for overseeing compliance. The Local Audit Division has determined that omission of various items required by GASB 34 will not result in any sanctions or in a request for remediation. The only issue of concern is the auditor's opinion may need to be modified for departures from generally accepted accounting principles, and would result in an adverse opinion. Based on the current situation of the Township, we feel the effort and additional cost required could exceed the value of the additional information generated and would provide little, if any, benefit. This will need to be an item discussed at the board level. After reviewing this letter, we would be glad to discuss any of these matters further with you and assist in the implementation.

Rumsey & Watkins, P.C.
RUMSEY & WATKINS, P.C.